

*Lawton Fire Department*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended February 29, 2008*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
Lawton Fire Department**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lawton Fire Department (the Department), as of February 29, 2008, and for the year then ended, which collectively comprise the Department's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lawton Fire Department, as of February 29, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Department. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Lawton Fire Department has not presented the management's discussion and analysis that the Governmental Accounting Standards Department has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

July 28, 2008



1958-2008

## **BASIC FINANCIAL STATEMENTS**

**Lawton Fire Department**  
**STATEMENT OF NET ASSETS**  
February 29, 2008

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	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 205,483
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>841,964</u>
Total assets	<u>1,047,447</u>
<b>NET ASSETS</b>	
Invested in capital assets	841,964
Unrestricted	<u>205,483</u>
Total net assets	<u><u>\$ 1,047,447</u></u>

See notes to financial statements

**Lawton Fire Department**  
**STATEMENT OF ACTIVITIES**  
Year ended February 29, 2008

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		<u>Program revenues</u>	<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>			
Governmental activities:			
Public safety	\$ 171,177	\$ 126,776	\$ (44,401)
General revenues:			
Interest income			9,852
Other			<u>1,768</u>
Total general revenues			<u>11,620</u>
Change in net assets			(32,781)
Net assets - beginning			<u>1,080,228</u>
Net assets - ending			<u>\$ 1,047,447</u>

See notes to financial statements

**Lawton Fire Department**  
**BALANCE SHEET**  
February 29, 2008

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**ASSETS**

Cash	\$ 205,483
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**FUND BALANCE**

Unreserved	\$ 205,483
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Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

841,964
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Net assets of *governmental activities*

\$ 1,047,447
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See notes to financial statements

**Lawton Fire Department****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE***Year ended February 29, 2008***REVENUES**

Local contributions	\$ 123,500
Charges for services	3,276
Interest	9,852
Other	<u>1,768</u>

Total revenues	<u>138,396</u>
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**EXPENDITURES**

Public safety	83,326
Capital outlay	<u>30,373</u>

Total expenditures	<u>113,699</u>
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<b>NET CHANGE IN FUND BALANCE</b>	24,697
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<b>FUND BALANCE - BEGINNING</b>	<u>180,786</u>
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<b>FUND BALANCE - ENDING</b>	<u><u>\$ 205,483</u></u>
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Net change in fund balance	\$ 24,697
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Amounts reported in the statement of activities (page 5) are different because:

**Capital assets:**

Assets acquired	21,827
Provision for depreciation	<u>(79,305)</u>

Change in net assets	<u><u>\$ (32,781)</u></u>
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See notes to financial statements



**Lawton Fire Department**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Lawton Fire Department (the Department), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire Department. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no component units or entities for which the Department is considered to be financially accountable.

The Department is a joint venture of the Townships of Antwerp and Porter. Costs of operations and capital expenditures are supported by contributions from the Townships that take into account their respective SEV, population, and number of fire calls.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Lawton Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Intergovernmental contributions, federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Department.

The Department reports the following major governmental fund:

The General Fund is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund. Revenues are primarily derived from contributions from local units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Department (GASB). The Department has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Capital assets* - Capital assets, which include property, vehicles, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Vehicles	5 - 20 years
Equipment	3 - 10 years

*iii) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Lawton Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Department experienced no budget variances during the fiscal year.

**NOTE 3 - CASH:**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Department's investment policy authorize the Department to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Department's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of February 29, 2008, \$105,001 of the Department's bank balances of \$208,858 was exposed to custodial credit risk because it was uninsured.

The Department believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. The Department evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Lawton Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity for the year ended February 29, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 412,052	\$ 19,310	\$ -	\$ 431,362
Vehicles	814,519	-	-	814,519
Equipment	<u>275,080</u>	<u>2,517</u>	<u>-</u>	<u>277,597</u>
Subtotal	<u>1,501,651</u>	<u>21,827</u>	<u>-</u>	<u>1,523,478</u>
Less accumulated depreciation for:				
Buildings and improvements	(84,503)	(8,322)	-	(92,825)
Vehicles	(319,649)	(40,826)	-	(360,475)
Equipment	<u>(198,057)</u>	<u>(30,157)</u>	<u>-</u>	<u>(228,214)</u>
Subtotal	<u>(602,209)</u>	<u>(79,305)</u>	<u>-</u>	<u>(681,514)</u>
Governmental activities capital assets, net	<u>\$ 899,442</u>	<u>\$ (57,478)</u>	<u>\$ -</u>	<u>\$ 841,964</u>

**NOTE 5 - RISK MANAGEMENT:**

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Lawton Fire Department**  
**BUDGETARY COMPARISON SCHEDULE**  
Year ended February 29, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Local unit contributions:				
Township of Antwerp	\$ 68,687	\$ 68,687	\$ 68,687	\$ -
Township of Porter	54,813	54,813	54,813	-
Charges for services	4,000	4,000	3,276	(724)
Interest	7,200	7,200	9,852	2,652
Other	100	100	1,768	1,668
	<u>134,800</u>	<u>134,800</u>	<u>138,396</u>	<u>3,596</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Salaries and wages	5,150	5,150	5,150	-
Administration	3,900	3,900	3,900	-
Payroll taxes	395	395	533	(138)
Employee insurance	3,550	3,550	3,728	(178)
Office supplies	649	649	495	154
Uniforms	600	600	567	33
Operating supplies	15,000	15,000	14,018	982
Repairs and maintenance	23,700	23,700	23,414	286
Contracted services	2,300	2,300	1,500	800
Insurance	10,130	10,130	10,090	40
Public relations	6,000	6,000	6,298	(298)
Education and training	3,500	3,500	1,796	1,704
Fuel	2,800	2,800	2,601	199
Dues	225	225	275	(50)
Telephone	700	700	682	18
Utilities	7,900	7,900	7,578	322
Mileage	1,000	1,000	-	1,000
Miscellaneous	1,001	1,001	701	300
	<u>88,500</u>	<u>88,500</u>	<u>83,326</u>	<u>5,174</u>
Total public safety				
Capital outlay	<u>39,200</u>	<u>39,200</u>	<u>30,373</u>	<u>8,827</u>
Total expenditures	<u>127,700</u>	<u>127,700</u>	<u>113,699</u>	<u>14,001</u>

**Lawton Fire Department Board of Commissioners**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
Year ended February 29, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
NET CHANGE IN FUND BALANCE	\$ 7,100	\$ 7,100	\$ 24,697	\$ 17,597
FUND BALANCE - BEGINNING	<u>180,786</u>	<u>180,786</u>	<u>180,786</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 187,886</u>	<u>\$ 187,886</u>	<u>\$ 205,483</u>	<u>\$ 17,597</u>

July 28, 2008

Members of the Board  
Lawton Fire Department

We have audited the financial statements of the governmental activities and the major funds of the Lawton Fire Department for the year ended February 29, 2008, and have issued our report thereon dated July 28, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated February 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lawton Fire Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Lawton Fire Department during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Department's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.



1958-2008



*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We did not find it necessary to propose any audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended February 29, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This communication is intended solely for the information and use of the Board of Commissioners of the Lawton Fire Department and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*